

ECONOMIC PULSE

A MONTHLY REPORT ON MARYLAND'S ECONOMY

HIGHLIGHTS

Summary

The U.S. consumer confidence index surged in December, rising from 92.6 to 102.3, even though many analysts expected a more modest gain. The strong reading, however, was in line with various fundamental factors, such as falling energy prices, rising stock prices and continued improvement in the job market. The U.S. leading index turned up in November, after falling in the previous five months.

The nation's employment was up 1.6 percent over the year in November. The fastest growing sectors included construction (up 3.8 percent) and professional and business services (up 3.4 percent). The unemployment rate (not seasonally adjusted) decreased over the year and stood at 5.2 percent in November.

Maryland's year-over-year growth in employment registered a 2 percent gain for the third consecutive month, outpacing the 1.6 percent increase for the nation. Job growth in construction, mining and natural resources was strong, rising by about 5 percent over the year. Leisure and hospitality remained relatively robust with an increase of 3.2 percent in November. Employment in professional and business services and education and health services also exhibited strength, rising by roughly 3 percent from the same period a year ago.

State's Job Growth Remains Firm

Employment in Maryland increased by 2 percent over the year in November—for the third consecutive month. The nation showed a gain of 1.6 percent.

U.S. Leading Indicator Up

The U.S. leading index rose in November, the first increase in over five months. Analysts noted, however, that the previous decline in the indicator was not large enough, nor did it persist long enough, to signal an end to the current economic expansion.

U.S. Consumer Confidence Index Improves

The U.S. consumer confidence index jumped in December, with strong improvement in both indicators of current and expected conditions. The index declined in the previous four months and remains below July's level.

Unemployment Rate

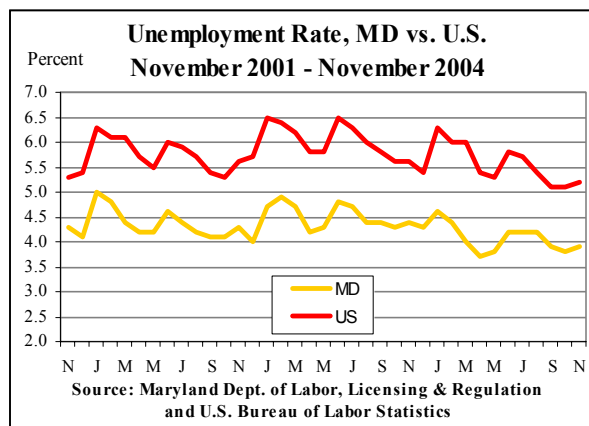
The state's unemployment rate (not seasonally adjusted) stood at 3.9 percent in November, down from 4.4 percent for the same period a year ago. Maryland's unemployment rate remains well below the national average of 5.2 percent. The year-to-date average for Maryland's unemployment rate was 4.1 percent, compared to 5.6 percent for the nation.

All regions of the state remained below the national average of 5.6 percent through the first 11 months of 2004, with the unemployment rates falling from the same period a year ago. Southern Maryland continues to exhibit the lowest regional unemployment rate (2.8 percent) in the state. The Capital Region followed closely with an unemployment rate of 3.2 percent. Within the Capital Region, Montgomery County has the lowest rate (2.3 percent) in the state. The Baltimore

Unemployment Rates (Percent)

	Not Seasonally Adjusted		Seasonally Adjusted	
	MD	U.S.	MD	U.S.
Nov 2004	3.9	5.2	3.9	5.4
Oct 2004	3.8	5.1	3.9	5.5
Nov 2003	4.4	5.6	4.4	5.9

Source: U.S. Bureau of Labor Statistics



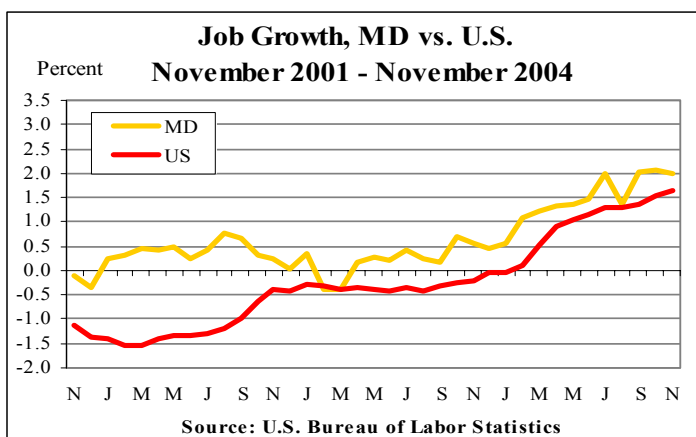
(continued on page 5)

Robert L. Ehrlich, Jr.
Governor
Michael S. Steele
Lt. Governor
Aris Melissaratos
Secretary

Jobs and Sectors

Jobs

Between November 2003 and November 2004, the state added nearly 50,000 net new jobs—a growth rate of 2.0 percent. Through November 2004 the state has, on average, gained about 37,000 jobs compared to a year ago—an increase of 1.5 percent. Construction (including mining and natural resources) posted a gain of roughly 5 percent over the year, an increase of 8,500 jobs. Employment in the leisure and hospitality industry was up 3.2 percent, adding 7,000 jobs over the year. Professional and business services also contributed over 10,000 net new jobs between November 2003 and November 2004.



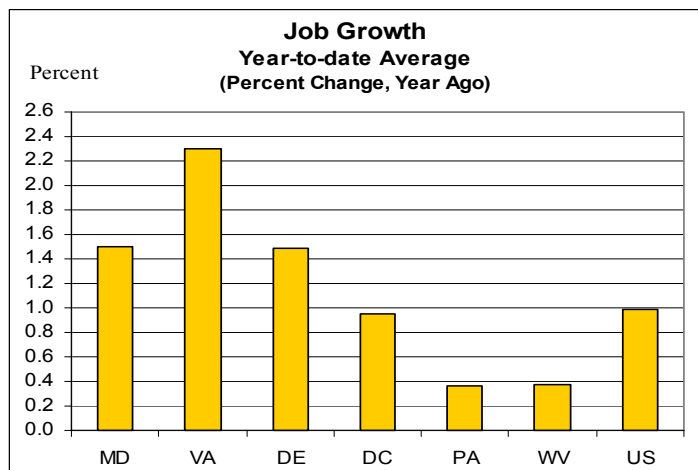
Employment in the U.S. rose by 1.6 percent in November. The nation's job growth rate, year-over-year, has improved steadily in 2004.

Maryland vs. U.S. Job Growth Rate (Percent Change, Year Ago)

Month	MD	U.S.
Nov-03	0.5	-0.2
Dec-03	0.5	-0.1
Jan-04	0.5	0.0
Feb-04	1.1	0.1
Mar-04	1.2	0.5
Apr-04	1.3	0.9
May-04	1.4	1.0
Jun-04	1.5	1.1
Jul-04	2.0	1.3
Aug-04	1.4	1.3
Sep-04	2.0	1.4
Oct-04	2.0	1.5
Nov-04	2.0	1.6

Job Growth Ranking

The state's job growth rate of 2.0 percent in November resulted in a ranking of 13th in the nation. Through the first 11 months of 2004, the state's average job growth rate stood at 1.5 percent, producing a ranking of 13th as well.



The average job growth rates and rankings through November 2004 for selected jurisdictions include: Virginia, 5th (2.3%); Delaware, 14th (1.5%); the District of Columbia, 23rd (0.9%); West Virginia, 43rd (0.4%); and Pennsylvania, 44th (0.4%). The remaining top 10 states in job growth include Nevada (4.5%), Hawaii (2.5%), Arizona (2.4%), Idaho (2.3%), Florida (2.1%), Utah (2.1%), Wyoming (1.9%), New Mexico (1.9%) and Washington (1.8%). Virginia slipped another notch to 5th, as Idaho improved its overall ranking year-to-date. Nationally, the job growth rate was 1.0 percent.

Leisure and Hospitality

The state's leisure and hospitality industry remains relatively robust, adding 7,000 net new jobs between November 2003 and November 2004—a 3.2 percent increase. The job growth rate has slowed, however, compared to gains of over 5 percent during June through August. Accommodation and food services was up 3.7 percent in November, with an addition of 6,800 net new jobs. Food services and drinking places account for much of the increase, adding 5,900 new jobs—an increase of 3.7 percent. Nationally, job growth in the leisure and hospitality sector was up 1.7 percent in November.

Other tourism-related indicators were generally weak in November. Hotel occupancy rates were down slightly from a year ago, at 57 percent in November. Visitor volume to state welcome centers slid by 9 percent. Hotel tax revenue, however, increased by 8 percent.

(continued on page 3)

Jobs and Sectors (continued from page 2)

Health Services

Health care (including social assistance) was up 2.7 percent in November, adding 7,700 net new jobs. Within the health care sector, health care service providers generated 1,800 jobs (up 2.0 percent) and hospitals added 3,400 jobs (up 3.7 percent). Nursing and resident care facilities contributed 900 jobs for an increase of 1.5 percent.

Retail Sales

The state's retail trade sector expanded by 2.0 percent from November 2003 to November 2004, adding 6,000 new jobs. Sectors generating net new jobs included motor vehicle and parts dealers (up 2.1 percent), grocery stores (up 2.6 percent), clothing and clothing accessories stores (up 2.4 percent) and miscellaneous retailers (up 5.1 percent).

Home Sales and Building Permits

Existing home sales in Maryland jumped by 21 percent over the year, while the nation's sales rose 19 percent. From November 2003 to November 2004, permits for new residential units also showed a sharp increase—up nearly 25 percent in Maryland and 19 percent for the U.S.

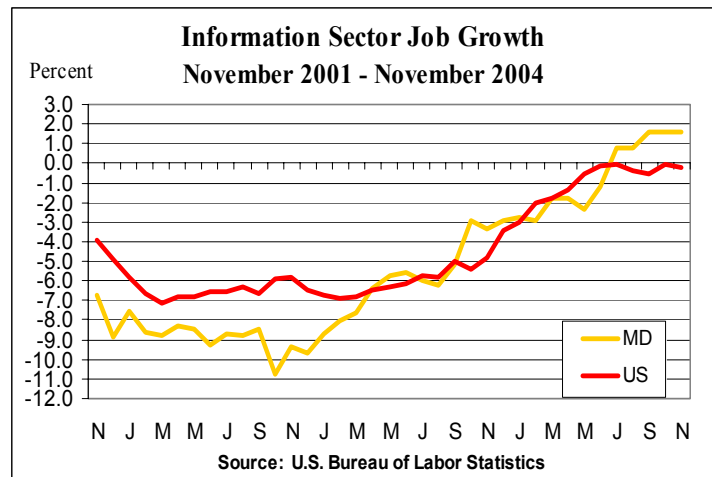
Other Industries

Job growth in professional and business services continues to perform well, rising about 3 percent from the same period a year ago—a gain of 10,500 jobs over the year. In November, the U.S. job growth rate for professional and business services was slightly faster than the state, up 3.4 percent.

The state's construction, mining and natural resources sector was up 4.9 percent in November, with an addition of 8,500 net new jobs. Special trade contractors accounted for 5,000 new jobs, an increase of 4.5 percent. The U.S. job growth rate in construction was nearly 4 percent.

Maryland's information sector (including broadcasting, internet service providers and data processing services, motion picture and sound recording, publishers and telecommunications) exhibited a job growth rate of 1.6 percent in November—a gain of 800 jobs over the year. Employment in the telecommunications sector, however, continued to decline in November, down 1.5 percent from the same period a year ago. Nationally, employment in the information sector was down 0.2 percent over the year.

Other services were up 1.2 percent in Maryland between November 2003 and November 2004, while the nation managed an increase of 0.6 percent in this sector. Employment in



the government sector was up 0.8 percent in Maryland and the U.S.

Manufacturing

Maryland's manufacturing sector continued to show a modest decline over the year, losing 0.8 percent of its job base in November. The computer and electronic product sector, however, exhibited an increase of 3.7 percent—a gain of 900 jobs. Nationally, employment in the manufacturing industry registered a small increase of 0.3 percent over the year.

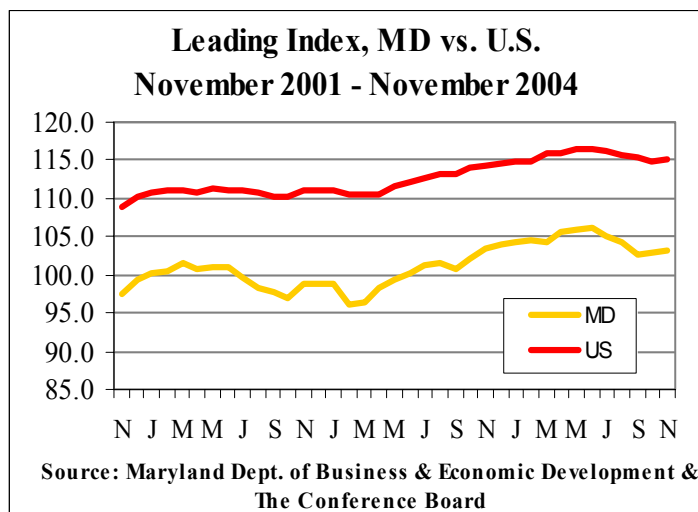
Industry earnings and hours both were up in Maryland. Average weekly earnings in Maryland's manufacturing industries rose 5.5 percent and 1.6 percent for the U.S. Average weekly hours were up 0.5 percent for Maryland, but declined 1 percent for the nation.

Percent Change in Jobs November 2003 - November 2004

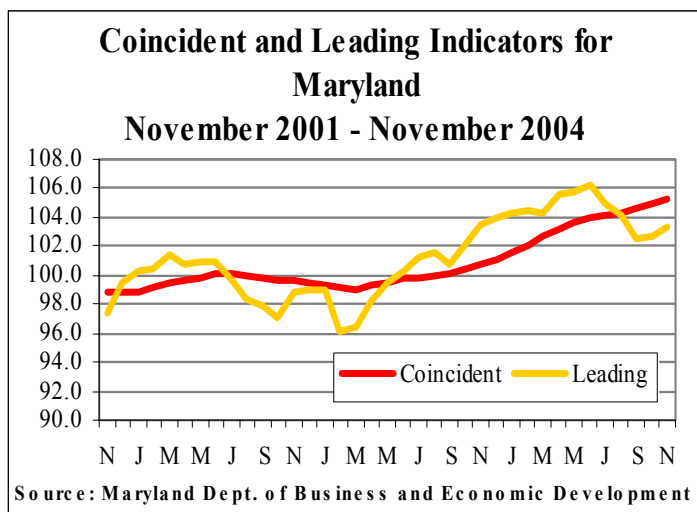
	MD	U.S.
Construction, Mining, Natural Resources	4.9	3.8
Leisure and Hospitality	3.2	1.7
Professional and Business Services	2.9	3.4
Education and Health Services	2.9	2.3
Health Care and Social Assistance	2.7	2.3
Financial Activities	1.6	1.6
Information	1.6	-0.2
Trade, Transportation and Utilities	1.3	1.3
Retail	2.0	1.1
Manufacturing	-0.8	0.3
Other Services	1.2	0.6
Government	0.8	0.8
Total	2.0	1.6

Maryland Leading and Coincident Indices

The Maryland index of leading indicators provides an outlook for the economy over the coming six to nine months. The indicator improved in November, rising to 103.3 from 102.7 in October. A majority of the Maryland components contributed to the positive movement in the indicator, with the stock index exhibiting the largest gain. The state index, however, showed a slight decrease over the year as the increases from a year ago have slowed. The U.S. indicator rose 0.3 in November, after falling for five consecutive months. While analysts noted that the decline in the index was not large enough or long enough to signal an end to the economic expansion, the growth in the real gross domestic product for the U.S. is expected to slow this year. Analysts, however, still expect that output will expand at a solid pace in 2005 (around 3.5 percent).



The coincident index provides a reading on current economic conditions in Maryland and is used to help track the performance of the economy. The revised coincident index stood at 105.2 in November, rising from 104.9 in October. The seasonally adjusted unemployment rate was unchanged from the previous month—at 3.9 percent. The consumer confidence index turned up, contributing to a positive impact. The year-over-year growth in the state index has held positive at around 4.5 percent, but the growth rate has not been accelerating during the past few months. In November, the U.S. coincident indicator was up by 0.2 from the previous month and rose 2.3 percent from the same period a year ago. The year-over-year growth has shown some signs of slowing in recent months.



Labor Force

Maryland's employment by place of residence was up 2.4 percent over the year, while the labor force grew by 2 percent. The growth in the state's labor force outpaced growth in the U.S. by one percentage point.

Initial claims for unemployment insurance (UI) were down 1 percent from November 2003 to November 2004, while UI claims for the nation were up about 3 percent over the same period. The Baltimore Sun's help-wanted counts continued to exhibit weakness, declining by 13 from the same period a year ago. Temporary cash assistance (TCA) caseload was down 6 percent.

Labor Market Trends (Percent Change, November 2003 - November 2004)		
	MD	U.S.
Growth of Civilian Labor Force	1.9	0.9
Employment by Place of Residence	2.4	1.4
Temporary Cash Assistance – Caseload	-6.1	–
Change in Initial UI Claims	-1.1	3.3
Help-wanted Counts	-13.0	–
Unemployment Rate (current month, %)	3.9	5.2

FOCUS: National Economy

The U.S. economy is expanding at a healthy pace, with the inflation-adjusted gross domestic product (GDP) rising at an annualized rate of 4 percent in the third quarter of last year. Analysts expect real GDP growth for 2004 to come in at around 4.5 percent, up from 3 percent in 2003. Businesses provided a larger contribution than in previous years, as non-residential investment in equipment, software and structures is expected to rise at better than 10 percent in 2004 (with spending on equipment and software increasing by 13 percent), compared to about 3 percent in 2003. Household spending held up well, with an estimated increase of close to 4 percent last year, up from roughly 3 percent in 2003. The preliminary job growth rate for 2004 is about 1 percent, rebounding from a loss of 0.3 percent in 2003.

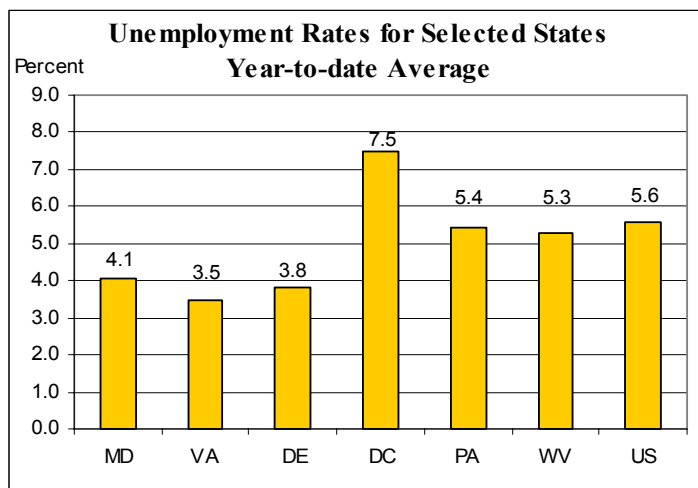
Looking ahead, analysts expect economic activity to slow, but the pace of the current expansion will remain solid, with real GDP growth of around 3.5 percent this year. Consumer

spending is expected to slow to about 3 percent this year. The pace of corporate investment is also set to ease, but should still increase by more than 9 percent this year. The job growth rate, however, is expected to accelerate this year and may come in close to 2 percent.



Unemployment Rate (continued from page 1)

Region's unemployment rate of 4.7 percent came in above the state average of 4.1 percent due in part to the 8.2 percent unemployment rate in Baltimore City—the highest rate in the state. While the Eastern Shore's unemployment rate of 5.2 percent was below the U.S. average year-to-date, Cecil (5.9 percent), Dorchester (7.5 percent), Somerset (6.4 percent) and Worcester (7.9 percent) counties were all above the state and national averages. In Western Maryland, the unemployment rate stood at 4.9 percent—with Allegany (6.9 percent) and Garrett (5.8 percent) above the average for the state and the nation. (Unemployment rate data are not seasonally adjusted.)



Unemployment Rates (Percent)

Region	Nov-03	Oct-04	Nov-04	Jan-Nov Avg 2003	2004
U.S.	5.6	5.1	5.2	6.0	5.6
Maryland	4.4	3.8	3.9	4.5	4.1
Baltimore Region	5.0	4.4	4.5	5.1	4.7
Anne Arundel	3.6	3.2	3.2	3.7	3.4
Baltimore City	8.7	7.9	8.1	8.6	8.2
Baltimore	4.9	4.2	4.2	5.0	4.4
Carroll	3.0	2.5	2.4	3.3	3.0
Harford	4.1	3.5	3.7	4.7	4.1
Howard	2.7	2.5	2.5	2.9	2.6
Capital Region	3.5	3.1	3.1	3.6	3.2
Frederick	2.8	2.4	2.4	3.1	2.8
Montgomery	2.6	2.2	2.2	2.7	2.3
Prince George's	4.7	4.2	4.2	4.8	4.3
Southern Maryland	2.8	2.7	2.7	3.0	2.8
Calvert	2.7	2.7	2.8	3.0	2.8
Charles	3.0	2.8	2.8	3.1	2.9
St. Mary's	2.7	2.5	2.5	2.9	2.6
Eastern Shore	6.1	4.4	5.2	6.1	5.2
Caroline	5.7	4.0	4.1	5.3	4.6
Cecil	5.7	4.9	5.1	7.3	5.9
Dorchester	7.9	5.5	6.1	9.4	7.5
Kent	4.3	3.0	3.1	4.5	3.7
Queen Anne's	3.4	2.9	3.2	3.9	3.3
Somerset	6.8	5.5	5.6	6.7	6.4
Talbot	4.3	2.7	2.9	4.1	3.5
Wicomico	5.1	3.9	4.4	5.1	4.3
Worcester	11.7	6.6	11.4	7.8	7.9
Western Maryland	4.8	4.0	4.2	5.3	4.9
Allegany	6.4	5.5	5.9	6.3	6.9
Garrett	6.2	4.3	4.8	6.5	5.8
Washington	3.9	3.2	3.3	4.6	3.9

Selected Monthly Economic Indicators

Selected Indicators	Maryland					U.S.				
	Nov 2004	Oct 2004	Percent Change From Last Month	Nov 2003	Percent Change From Last Year	Nov 2004	Oct 2004	Percent Change From Last Month	Nov 2003	Percent Change From Last Year
Labor Market										
Labor Force (U.S. in Thousands)	2,961,299	2,960,211	0.0	2,907,016	1.9	148,246	147,978	0.2	146,969	0.9
Employment (U.S. in Thousands)	2,845,560	2,847,820	-0.1	2,779,153	2.4	140,581	140,447	0.1	138,700	1.4
Unemployment Rate	3.9	3.8	2.6	4.4	-11.4	5.2	5.1	2.0	5.6	-7.1
Sun Help-Wanted Counts, Baltimore MSA	12,134	13,305	-8.8	13,951	-13.0					
Initial Claims for Unemployment Insurance	18,449	16,198	13.9	18,648	-1.1	1,561,219	1,309,835	19.2	1,511,899	3.3
TCA Caseload	27,198	27,882	-2.5	28,967	-6.1					
TCA Cases Closed	2,781	2,688	3.5	3,041	-8.5					
Jobs and Sectors (Jobs in Thousands)										
Total Non-Agricultural Employment	2,562.8	2,558.8	0.2	2,513.1	2.0	133,207	132,928	0.2	131,071	1.6
Construction, Mining & Natural Resources	180.7	181.1	-0.2	172.2	4.9	7,740	7,822	-1.0	7,456	3.8
Manufacturing	144.4	144.6	-0.1	145.5	-0.8	14,413	14,437	-0.2	14,374	0.3
Trade, Transportation, Utilities	480.2	471.1	1.9	473.9	1.3	26,028	25,665	1.4	25,687	1.3
Information	50.5	50.0	1.0	49.7	1.6	3,171	3,157	0.4	3,177	-0.2
Financial Activities	159.0	159.2	-0.1	156.5	1.6	8,097	8,080	0.2	7,972	1.6
Professional & Business Services	375.6	376.6	-0.3	365.1	2.9	16,781	16,848	-0.4	16,232	3.4
Education & Health Services	353.9	353.2	0.2	343.8	2.9	17,296	17,215	0.5	16,912	2.3
Leisure & Hospitality	223.7	230.6	-3.0	216.7	3.2	12,130	12,313	-1.5	11,925	1.7
Other Services	117.9	117.8	0.1	116.5	1.2	5,404	5,397	0.1	5,374	0.6
Government	476.9	474.6	0.5	473.2	0.8	22,147	21,994	0.7	21,962	0.8
Average Weekly Earnings (\$)	680.40	687.60	-1.0	645.20	5.5	666.26	662.19	0.6	655.90	1.6
Average Weekly Hours	40.5	41.1	-1.5	40.3	0.5	40.8	40.7	0.2	41.2	-1.0
Business and Consumer Markets										
BWI Cargo (Metric Tons)	18,406	20,576	-10.5	17,274	6.6					
BWI Passengers (Millions)	1.58	1.65	-4.0	1.63	-3.2					
Electric Meters Installed, Commercial ¹	267	234	14.1	146	82.9					
Electric Meters Installed, Residential ¹	959	1,074	-10.7	834	15.0					
Electricity Sales, Commercial (Millions of MWh) ¹	1.61	1.93	-16.3	1.55	4.3					
Electricity Sales, Residential (Millions of MWh) ¹	0.99	1.22	-19.2	0.94	5.3					
Existing Home Sales (U.S. in Thousands)	8,428	8,425	0.0	6,966	21.0	530	549	-3.5	445	19.1
New Auto Registration (U.S. seasonally adjusted)	29,859	34,839	-14.3	30,155	-1.0	1,550,452	1,443,134	7.4	1,345,337	15.2
New Residential Permits Authorized	2,439	2,683	-9.1	1,955	24.8	151,399	167,854	-9.8	127,189	19.0
Indexes										
Leading Index	103.3	102.7	0.6	103.5	-0.2	115.2	114.9	0.3	114.2	0.9
Help-Wanted Index	54.2	59.4	-8.8	62.3	-13.0	36	37	-2.7	38	-5.3
CPI	120.9	N/A	N/A	116.7	3.6	191	190.9	0.1	184.5	3.5
Stock Index	291.9	274.3	6.4	259.8	12.3	1,173.8	1,130.2	3.9	1,058.2	10.9
Tourism										
Hotel /Motel Occupancy Rate (%)	57.3	71.6	-20.0	57.5	-0.3					
State Welcome Center Visitors	138,394	198,997	-30.5	151,783	-8.8					
Amusement & Admission Tax (Millions of Dollars)	N/A	3.78	N/A	3.27	N/A					
Hotel /Motel Sales Tax (Millions of Dollars)	4.79	5.47	-12.4	4.43	8.1					

Notes:

¹BGE data as of September 2004.



Robert L. Ehrlich, Jr., Governor
Michael S. Steele, Lt. Governor

Aris Melissaratos, Secretary, Department of Business and Economic Development
Rhonda Ray, Assistant Secretary, Division of Policy and Legislative Affairs

Economic Pulse is published monthly by the
Division of Policy and Legislative Affairs

Editorial Assistance, James R. Moody
Contributing Editors, Roger Fujihara, Nancy McCrea
Graphic Design, James R. Moody, Roger Fujihara
Distribution, Elver Bell

The *Economic Pulse* is available on the Internet at:
www.choosemaryland.org/pressroom/publications/